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Insight:
Structured Products VS Funds

Like any investment, investing in structured products has both advantages and disadvantages. Below is our analysis of the positives and negatives of choosing a structured product, compared to choosing to invest in a fund. To discuss investing in a Meteor structured product, please contact our sales team at sales@meteoram.com.

Pros	Cons
Flexibility: a wide variety of product profiles that can cater for all kinds of investment aims. Structures can provide capital growth, income, or both. They also offer various levels of capital protection to suit different risk appetites. Funds can cater to various strategies but cannot specify at the outset, when and how much money exactly, you could lose/gain.	**Counterparty risk:** the financial institution with whom the assets are arranged may fail to pay the amounts due. If the issuing party becomes insolvent or defaults, then investors may lose capital. This may be true of some proprietary funds too.
Security: there are products that aim to protect against all but extreme market conditions, regardless of the performance in the underlying asset class. In an uncertain economic environment, capital preservation is often a priority concern. Funds however, do not provide downside protection barriers.	**Limited Upside:** Structures are often developed with an inbuilt capital protection feature to mitigate market risk to capital. Whilst giving protection against market falls, product returns are often sacrificed for these features and so benefits on the upside can become limited.
Enhanced returns: structures can often provide returns in excess of funds, particularly after fees. This is because whereas funds traditionally outperform when equity markets are optimistic, structures can outperform in rising, neutral or falling markets.	**Service Fee:** investors pay an implicit fee on inception which covers the cost of administering, developing and marketing the product. Structured products generally have a lower total expense ratio (TER) compared to funds, which may include other significant charges such as annual management fees and performance fees.
Predefined return profile: compared with investing in shares and funds where the performance can be highly volatile and uncertain, an investment in a structure, by its algorithmic nature, provide predefined returns should specific conditions be met over the duration. This helps with portfolio planning and, in particular, helps give a clearer indication to the best and worst case scenarios.	**Penalties for Early Redemption:** if you need your money before the predefined early or final maturity dates, you are likely to be charged for redeeming the product. In the case of early encashment, you could get less back than what you have invested.
	Liquidity Risk: in extraordinary circumstances, the issuer may not be able to quote a price for your investment which may delay any early encashment request you may make.

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